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# Assistance for Regional Investment Centers and Investment Promotion

## Final Report



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# Assistance for Regional Investment Centers and Investment Promotion

## Final Report

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# ACRONYMS

ANCFCC	National Agency for Land Preservation, Cartography, and Land Registry
BPO	Business Process Outsourcing
FDI	Foreign Direct Investment
FODEP	Industrial Pollution Control Fund
GDP	Gross Domestic Product
GOM	Government of Morocco
M&E	Monitoring and Evaluation
MTDS	Morocco Trade and Development Services
NCIP	National Committee on Investment Procedures
OFPPT	Office de Formation Professionnelle et de Promotion du Travail
RIC	Regional Investment Center

# EXECUTIVE SUMMARY

Under a two-year project funded by USAID, Chemonics International worked with Morocco's Regional Investment Centers (RICs), which were created on January 9, 2002, to streamline management procedures, lay the groundwork for regional partnerships for development, and create investment promotion tools. The Assistance for Regional Investment Centers and Investment Promotion project also helped the Department of Investment upgrade its management information system.

After visiting all the RICs in January and February 2004, the project team crafted an action plan to:

- Identify best practices in local economic development and investment promotion
- Organize observational study tours to the United States to see best practices in action
- Prepare an investment procedures manual to be validated by national administrations
- Develop a Web-enabled software application to automate the investment application process through a one-stop shop that provides assistance to investors
- Create eight regional Web sites and a national portal for investment promotion; and
- Define performance indicators and a monitoring and evaluation (M&E) methodology for the RICs.

The project also collaborated with three regions to develop regional investment strategies using a participatory approach to foster public-private partnerships. The project team tailored approaches and analytical tools to the Moroccan context. They developed region-specific databases and a national-level database to collect and disseminate investment-related data. They conducted two sector studies — one on business process outsourcing, another on automotive components. They trained central agencies working with the Department of Investment and decision-makers in 10 of 16 regions on ways to attract foreign direct investment (FDI); RIC and Department of Investment managers also received training in FDI promotion strategies and communication skills. Finally, an organizational review of the Department of Investment recommended a new internal structure modeled after successful investment promotion agencies in other countries and an increase in the department's promotion budget.

Among the project's impacts, the investment procedures manual and software application, once adopted by all the RICs, will resolve many of the problems faced by prospective investors and investment promotion agencies. These include the lack of cooperation between some regional administrations and the dearth of reliable data on regional investment. Investors will see immediate improvements in terms of time savings when registering businesses, better access to information, and greater transparency. Initial benefits for the RICs and partner administrations include increased productivity; faster file transmittal and processing times; a lower risk of errors; and consistent, readily available investment statistics. The software also will make it easier to

track the status of investment applications and the start-up of investor activities through automatically generated alerts.

Investment promotion Web sites and the national portal have helped raise Morocco's visibility on the Web. Before that, the kingdom had virtually no online presence as an investment destination, lagging far behind its principal competitors, Tunisia and Turkey.

The performance indicators and M&E methodology developed by the project are designed to account for the fact that RICs operate in regions that are fundamentally different from one another in terms of resources, level of industry and infrastructure, etc.

A hallmark of the project is its participatory approach, which has encouraged the involvement of all regional decision-makers in crafting investment promotion strategies. The impact of this approach continues to be felt as project partners implement the strategies and recommendations that came out of the two sector studies (e.g., identifying property that can be used for investment projects, finding solutions to equipment-related problems, promoting industrial zone safety, and providing vocational training tailored to targeted sectors). Several RICs that did not receive strategy development assistance are now adapting the project's methodology to develop their own strategies.

Overall, the RICs have made considerable progress since the project's launch. Despite their highly diverse backgrounds and capabilities, the RIC managers and directors now have a better understanding of their roles and responsibilities, the economic dynamics of their regions, and investors' needs. They are able to define their "regional product," identify strengths and weaknesses, capitalize on opportunities, and address challenges. They understand that information of value to investors is their principal asset and have adopted measures to ensure the availability of reliable data on regional economic trends.

Although noticeable improvements have been made, the RICs have yet to realize their full potential. The nature of their mandate has led them to operate horizontally by mobilizing key regional players. This means that most RICs are beginning to act as catalysts for economic activity in their respective regions. In addition to fulfilling their administrative duties, each RIC could play — in its own unique way — a larger role in fostering regional economic development. In turn, RIC efforts at the regional level must be supported by a strong national investment promotion agency with highly qualified staff and adequate financial resources.



## CHAPTER ONE

# INTRODUCTION AND CONTEXT

### USAID'S STRATEGIC OBJECTIVE

In 1999, USAID/Morocco developed a Country Strategic Plan for the period 2000-2005. Strategic Objective 5 of this plan aimed to increase opportunities for domestic and foreign investment. The implementation of the Assistance for Regional Investment Centers and Investment Promotion project, funded by USAID through the SEGIR General Business, Trade, and Investment Indefinite Quantity Contract, was designed to contribute directly to Intermediate Result 5.2 of the strategy by “reinforcing the capacities of institutions to contribute to private sector development.”

### CHEMONICS' SCOPE OF WORK

Under the terms of its contract, Chemonics International was to work with Morocco's Ministry of the Interior as well as the RICs and their branches to support, enhance, and disseminate existing management practices; lay the groundwork for regional partnerships for development; and improve RIC investment promotion programs. Chemonics also was tasked with strengthening the Department of Investment's information system. The total value of these services, including direct and indirect costs, was approximately \$2.2 million.

Sixteen RICs were created by Royal Decree through a January 9, 2002, letter from His Majesty King Mohammed Ben Al-Hassan to Morocco's prime minister. The letter granted more authority and responsibility to the 16 regions of Morocco in facilitating and promoting investment. The regions, which are further organized into provinces, are headed by Walis and governors appointed by the king.

The main objectives of the RICs, as defined in the Royal Letter and outlined in the prime minister's March 2003 speech on the upgrading of enterprises, are:

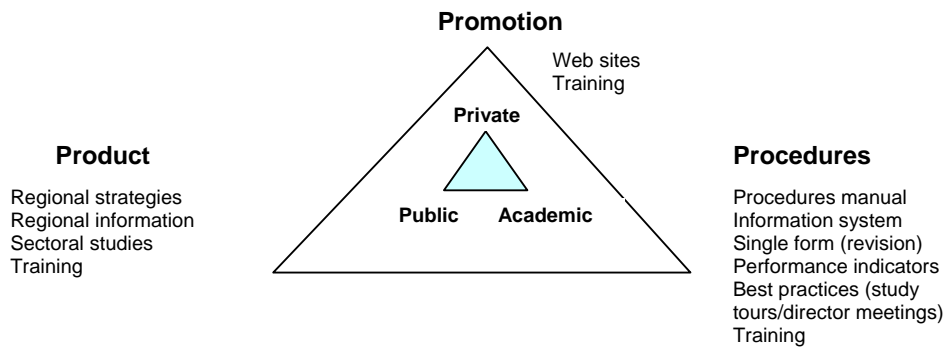
- To serve as a “one-stop shop” for business registration. The RICs are expected to ease the bureaucratic burden of business registration by reducing the number and complexity of administrative procedures and documents requested and by shortening delays.
- To welcome prospective investors through a “one-stop shop” for investment. The RICs are expected to provide investors with information and assistance to help them secure any required permits and authorizations. The RICs also act as facilitators by settling conflicts between investors and state administrations.
- To provide existing enterprises with assistance and information on financial mechanisms and enterprise development.

The RICs also are mandated by their respective Walis to contribute to the development of the regions by coordinating the implementation of large public regional infrastructure projects.

Because the RICs are extensions of the Ministry of Interior, placed under the authority of the Walis, they were granted SEGMA (Service de l'Etat g  r   de Mani  re Autonome—State Autonomous Administration) status in 2003, which gives them the authority to collect fees and revenues and to manage a portion of those funds for their own use, thus making it possible for them to act as a one-stop shop for investors.

In addition to assisting the RICs in building their capacity to fulfill the objectives and mandates described above, the project also improved the information system of the Department of Investment.

Project activities therefore focused on three main areas of intervention, which may be summarized as follows:



The middle triangle represents the underlying framework for project activities, which focuses on promoting partnerships among public administrations, the private sector, and the academic community. The larger outer triangle connects the three main areas of activity, consisting of the three approaches that guided all activities implemented under the project. It should be noted that the Department of Investment's mandate does not include developing regional economic strategies, and thus they were not involved in that activity.

This report summarizes the short- and medium-term impacts associated with each of the three main areas of activity. In its conclusion, the report provides recommendations on the future of the RICs and the Department of Investment, particularly with regard to implementation of Morocco's industrial strategy as specified in the national "Plan Emergence."<sup>1</sup>

## PROJECT MANAGEMENT AND ADMINISTRATION

The project team initially consisted of two expatriate full-time employees, Chief of Party Samuel Morris and Operations Manager Suzie Leblanc. Abdellatif Mazouz, a Moroccan economist/economic information specialist, was originally employed 2.5 days a week.

<sup>1</sup> The "Plan Emergence" represents Morocco's strategy for economic development and was produced by McKinsey & Company for the Government of Morocco. Prepared at the end of 2005, the plan encompasses two main areas: modernizing and strengthening the existing industrial sectors, notably to limit the impact of the dismantling of the Agreement on Textiles and Clothing on the textile sector, and supporting and facilitating the emergence of new sectors such as electronic components, outsourcing of automobile manufacturing, and aeronautic industry, as well as service activities, particularly those related to off-shoring.

Mr. Morris, whose contract was scheduled to end in February 2005, left the project in July 2004 and was replaced by Andrew Thorburn, an investment specialist who worked with the project 10 days a month. Mr. Mazouz's participation was increased to four days per week starting in September 2004.

Asmaa Oubou, administrative manager, who was replaced by Kamal Rahmani in April 2005, and driver Mohcine Boulaid completed the team. In the last eight months of the project, Rajaa Mellouk joined the team for two days a week to serve as the administrative manager.

The project also employed short-term Moroccan consultants, including Daif Abdennasser, an organizational specialist; Faouzi Mourji, who carried out a study on performance indicators; Tarik Fdil, who evaluated the information systems used by the RICs; Maria Bahnini, a jurist who helped revise and update the single form for business creation; and Hassan Benchérif, a communications trainer. Finally, the project engaged two short-term international consultants to conduct sectoral studies: Albert Suissa focused on automotive components, and Sami Baghdadi examined business process outsourcing.

Two Moroccan subcontractors also were involved with the project: Morocco Trade and Development Services (MTDS), represented by Jean-Michel Mas, which specializes in streamlining and automating administrative processes, and ARGAZE, an information technology and software development firm.



## CHAPTER TWO

# PROCEDURES

### ACTIVITIES, RESULTS, AND IMPACTS

This chapter covers all project activities related to internal management of the RICs (e.g., evaluation and performance indicators) and the Department of Investment (e.g., manual of organizational principles), and the implementation and monitoring of investment procedures (e.g., investment procedures manual, National Committee on Investment Procedures, and software application).

The project worked with the RICs to support, improve, and disseminate streamlined procedures for decentralized management of investment promotion and business registration. These procedures delegate more power to the regions, primarily with regard to property, but also for waivers and authorizations related to the sectors cited in the January 2002 Royal Letter. The RICs fulfill these responsibilities under the oversight of the Walis in their respective regions.

By the time the project started, the RICs already had a firm grasp of business registration procedures. Since their establishment, the average time required for starting a business in Morocco had dropped from 36 days to approximately two to four days. The RICs achieved this gain in productivity by using a single form for business creation, collaborating with the various entities involved in the business registration process (Tax Authority, National Social Security Fund, Patent Office, and Trade Registrar), and developing a software application to manage the process. This approach was developed under a previous USAID-funded project that established a pilot business services center in Agadir in 2001.<sup>2</sup>

Building on these achievements, the project focused on structuring the activities of the one-stop shops dedicated to investor assistance and on further streamlining the 47 procedures involving 15 different administrations required to register a new business. This activity was expected to result in significant benefits for investors, including reduced transaction times and costs and increased transparency.

### EVALUATION OF THE REGIONAL INVESTMENT CENTRES

Between January 15 and February 17, 2004, the project team visited each RIC (except for Laayoune and Dakhla). The objective of the field trips was to assess how far each RIC had progressed since it was created, to discuss the development priorities of their respective regions, and to introduce the project and outline its objectives.

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<sup>2</sup> Since specifications for Agadir's software application were sent to several IT firms in Casablanca and Rabat as part of USAID's call for tenders, other software developed along the same lines has appeared on the market. Some RICs now use these applications.

During these visits the project team noted that among other achievements, all the RICs had established one-stop shops for business registration, and they were working in close collaboration with the Walis. In general, the RICs seemed to be raising the level of efficiency of their various partner administrations by negotiating fixed time periods for provision of business creation services to investors. RIC directors also appeared to be efficient and participatory managers, and the RICs seemed to be known and appreciated by the local population.

The shortcomings the team noted related to the urgent need for the RICs to reach a general agreement on their mission beyond the framework described in the Royal Letter of January 2002. The team also noted the absence of any specific operational objectives or work plan.

The statistical reports produced by RICs on the number of enterprises created and investment projects planned appeared to be of limited use, given the absence of follow-up to track bankruptcies among recently created enterprises and investment projects. The quality of the information database the RICs used to provide information to investors on potential opportunities also was identified as a significant weakness. International investors typically interpret a lack of information as a sign of a high risk investment.

The team also noted that RIC employees did not have any job descriptions and that, while many employees spoke Arabic and French, very few were adept at English, which is considered the international language of commerce. Also, though all the RICs wished to promote their region, none had recruited any marketing experts. This absence of marketing skills was evidenced by the poor quality of RIC Web sites.

Finally, the project team noted that the RICs had very little contact with existing industries or knowledge of enterprises in their regions, though all of them seemed aware of the importance of protecting existing jobs. The team also acknowledged that there were important disparities among the RICs in terms of financial and human resources. The RICs' relative level of resources tended to mirror the regional economic disparities within Morocco.

## **REVISION OF THE SINGLE FORM FOR BUSINESS CREATION**

Since their inception, the RICs have used the single form for business creation developed under the previous USAID project. However, the RICs had since called for revising and simplifying the form, which was accomplished under this project. Jean-Michel Mas and attorney Maria Bahnini streamlined the form by:

- Introducing modifications in the trade register that directly affect company registration procedures.
- Splitting the form into nine parts, each corresponding to a different type of enterprise legally recognized in Morocco.

In terms of data collection, each form allows the RICs to collect simultaneously all the information required by the four administrative entities involved in business creation (Patent Office, Tax Authority, National Social Security Fund, and Trade Registrar). Tailoring the form to each of the nine classifications and the specific legal jurisdictions that governs them minimizes the processing time and amount of paperwork required for establishing a business.

The modifications were presented to the RICs for approval in February 2005. The forms were then submitted to the Ministry of the Interior, which is expected to publish them in the Official Bulletin. New customized software developed by ARGAZE for the project can process applications for company registration. It will be adopted by nine RICs, while the remaining seven

RICs will use one of three different software applications. Efforts were made to explain to project counterparts the importance of all the RICs using the same software, but one of the stronger RIC director's vested interest in a specific software package hampered achievement of this objective. Indeed, the new forms — and any future modifications — could prove costly if the 16 RICs and their branches fail to use the same centrally managed software.

### **PERFORMANCE INDICATORS**

All RICs should use performance indicators to track progress toward target objectives. At the same time, each RIC must set realistic goals that can be achieved within a given timeframe by taking into account the unique constraints it faces, the resources at its disposal, and region-specific conditions. Drawing on international best practices, the project proposed a simple methodology for tracking RIC performance using three tools: a general assessment questionnaire, a questionnaire to measure efficiency, and five indicators to assess results. Results-oriented management and performance measurement do not call for specialized skills. However, this management style requires a long-term vision, rigorous planning, and a clear delineation of expected results. Naturally, target results must evolve with any changes in the RICs' mission.

### **MANUAL OF ORGANIZATIONAL PRINCIPLES FOR THE DEPARTMENT OF INVESTMENT**

Drawing on an analysis carried out by Samuel Morris in the spring of 2004, the project produced a manual of organizational principles for the Department of Investment. The analysis found that the department's budget was inadequate for its role as a national investment promotion agency. It also found that the department was relatively overstaffed, with 62 employees, and had no representation abroad. In contrast, rival Tunisia has investment promotion offices in Italy, France, Germany, the United Kingdom, and the United States. The report noted that unlike model investment promotion agencies, which follow private sector management practices, the Department of Investment abides by public administration procedures for procurement, market services, staff recruitment, and salaries. Among its recommendations, the report called for adding "Morocco" to the department's name so it would instantly be recognized as the entity responsible for promoting investment throughout the kingdom. Finally, the absence of any real marketing or aftercare service structures within the department was noted as a major deficiency.

After this brief evaluation, the project produced a manual of organizational principles to guide restructuring of the department. The manual presents a new organizational chart and describes the roles, functions, and missions of each unit. The Department of Investment should create working groups to carefully review the manual's recommendations and initiate an internal restructuring process. Such a reorganization would be particularly fruitful if the department plays a role in implementing Morocco's new industrial strategy (developed in 2005 by McKinsey & Company).

### **INVESTMENT PROCEDURES MANUAL**

As a key deliverable, the project prepared a manual that contains all the procedures linked to investment in Morocco. The majority of those procedures relate to accessing state-owned property for investment. Morocco is unusual in that most of the land available for investment belongs to the state. Powers were granted to the Walis throughout Morocco for them to ease access to that land. Investors now can apply to purchase state-owned land through the RICs, which will facilitate the administrative process through their one-stop shops for investment. Though all RICs were intended to provide the same services throughout the kingdom, in reality the team found marked differences from one RIC to another, both in terms of the time it took to process an application and in the steps investors had to complete. The objective of the manual

of procedures was to standardize RIC service offerings to investors across all regions. The manual of procedures will also be used as training material for new recruits in the RICs. It will foster collaboration among the various administrations with a stake in business creation and will increase transparency by removing opportunities for rent-seeking behavior.

Jean-Michel Mas of MTDS initially worked with the Department of Investment and the Doukkala-Abda, Souss-Massa-Drâa, Tadla-Azilal, and Rabat-Salé-Zemmour-Zaër RICs to develop the manual. These RICs apply the investment procedures outlined in the manual on a daily basis as part of their assistance to investors. Mr. Mas then met with all the relevant national administrations to ensure the manual complied with current regulations. The procedures identified and approved through this process were then modeled and logged into computer systems in line with international best practices. This approach makes it easy to update existing procedures or introduce new ones.

### **NATIONAL COMMITTEE ON INVESTMENT PROCEDURES**

Validating the procedures manual with all relevant central agencies was essential to ensuring that it would be of real use to the RICs and the Department of Investment. The RICs' capacity to act as single points of contact for investors depends on effective cooperation between the relevant regional and national administrations. However, such cooperation had varied among regions and usually depended on personal relationships between the parties. In addition, foreign and Moroccan investors historically had been treated quite differently from one region to another. Some procedures remained centralized as a matter of policy, but processing times tended to increase the farther one traveled from Rabat. In addition, some investment projects involve multiple steps that require additional supporting documents, which often led to processing delays.<sup>3</sup> By asking central administrations to validate the procedures manual, the project sought to secure their commitment to ensuring uniform processing times in all regions.

To address this challenge, Minister of Economic and General Affairs Rachid Talbi Alami established and led the National Committee on Investment Procedures (NCIP). Created in October 2005, the NCIP's secretariat is managed by the Department of Investment. Permanent committee members include representatives of the Ministry of Economic and General Affairs (Department of Investment); the ministries of the Interior, Justice, Finance, and Privatization; the Department of Industry and Commerce; the Department of Infrastructure (Town and Country Planning); and three RICs. Various national administrations are invited to participate, depending on the issues under consideration and the types of procedures to be validated.

The NCIP is responsible for validating administrative procedures with the appropriate administrations based on their legal jurisdiction and their impact on investment actions. The committee intends to pursue efforts to streamline these procedures as part of an integrated approach to investment at the national and regional levels, in keeping with the spirit of the Royal Letter regarding the decentralized management of investments.

The NCIP has held eight working sessions, during which it validated all the procedures managed by the RICs. It also has identified the need to revise and streamline procedures in conjunction with the relevant administrations. These pertain to:

- Transfer of customized alcohol licenses tied to the operation of an establishment.

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<sup>3</sup> For example, investors seeking to open a hotel-restaurant with an alcohol license must provide 24 certified copies of their identity cards and 18 copies of their investment plan in three different formats.



- Requests for memoranda of information on areas that are covered by urbanization plans but have yet to be approved.
- Inspection of land that is not registered or is currently undergoing registration.
- Approvals for opening and operating establishments posing a major risk to health and safety or other hazards.
- Management of municipal property.

The NCIP is aware of the legal and organizational issues required to validate the procedures, including coverage of expenditures; creation of a regional investment committee; availability of maps from the National Agency for Land Preservation, Cartography, and Land Registry, etc. Conscious of the economic and social issues tied to investment, NCIP member institutions decided to focus their efforts, starting in January 2006, on streamlining existing procedures, validating procedures linked to the powers recently delegated to the Walis, and proposing ways to improve the investment process, notably through greater integration of information and communication technologies.

### **SOFTWARE APPLICATION**

The project automated the management of investment procedures to reduce the burden on investors and boost the efficiency of all agencies involved in the investment process, including the RICs.

The project developed a flexible software application that the RICs and partner administrations could securely access over the Internet. The application allows for data entry at the local level. The data is then fed into a central database that is accessible to all relevant agencies in real time. In addition, the system generates all “paper” documents associated with the processing of investment applications, leading to time savings and eliminating redundant data entry. It also generates documents related to the management of regional commissions. Finally, the system makes it easy to track implementation of an investment project and to ensure investors are fulfilling their commitments.

Agencies around the world, including in the United States and Canada, use similar Web-based applications to facilitate administrative tasks. Likewise, a wide range of businesses, such as DHL and Royal Air Maroc, use Web-enabled software. The Moroccan Patent Office also uses this approach. Web-based technology offers several benefits:

- *Technical skills and human resources:* The RICs do not have to manage the application themselves. All they need is a high-speed DSL connection to use the system. They don’t have to be concerned about hosting, data storage, security safeguards, or protection against hacking.
- *Streamlined costs:* A single change at the central level is required to modify the application to simplify a procedure or to introduce new tasks delegated to the RICs. This eliminates the need for individual installations and modifications at each RIC, significantly reducing the overall budget for hardware, software, and IT maintenance.
- *Decentralization at the province and district levels:* A computer, a DSL connection, a printer, and a scanner are all the RICs need to open branches at the provincial or district level, in line with Royal Letter guidelines.
- *Reliable statistics:* Using the same forms helps standardize information across the RICs (sub-sectors of activity, investor nationality, jobs created during the construction and operational phases, etc), providing a “big picture” of investment in Morocco for large and small projects

alike. This makes it possible to produce a unique identifier for each investment project and to create a reliable investment database that can be searched and consulted on a regular basis.

- *Harmonization with the National Investment Commission*<sup>4</sup>: Common use of the application by the Department of Investment and the RICs means that collaboration between the National Investment Commission and the RICs will be simplified. Projects representing an investment of more than \$20 million require approval from both the National Investment Commission and the various regional administrations involved through the RICs, and having both administrations use the same software expedites this process. The software developed is hosted in optimal conditions on three servers by MTDS, an Internet service provider based in Rabat. To facilitate use of the system, the project prepared a user manual and provided an initial training to RIC employees on how to use the software.

As the single point of contact for investors, the RICs are in a position to reduce investment-related risks and costs. Through the investment procedures manual and the software application on which it is based, all parties now have a common understanding of the documents to be provided, the formalities to be followed, the expenses to be paid, and the time required to carry an investment project through to completion. The procedures manual ensures that practices are uniform and not subject to individual interpretation. The software application generates alerts when deadlines are not met, allowing the RICs and central institutions to intervene promptly with the relevant regional agency. The RICs and partner administrations now have a system that will outlive staff changes and make it possible to automate operations at the lowest possible cost.

Partly as a result of the project's efforts, Moroccan administrations are increasingly sensitive to investors' needs, collaborate better with the RICs, and manage investment procedures in a more transparent manner. Thanks to the software developed by the project, the central administrations will be able to monitor the work performed by their offices in the regions. The Ministry of Interior will also be able to obtain current and reliable information on the RICs' activities. In general, national leaders will benefit from a dependable source of information on investment in Morocco and can use that information in their decision-making and policy development.

Throughout the software development process and all related technical decisions, the project team took into consideration the recommendations made by the Government of Morocco's various e-government committees. The project wanted to ensure that any development undertaken would be in line with the GOM's decisions regarding the introduction of new information technologies in public services. The project team also wanted to ensure that all activities contributed to Morocco's overall national objectives on regionalization and decentralization of public services and investment, as promoted by His Majesty King Mohammed VI.

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<sup>4</sup> The National Investment Commission is based in Rabat and headed by the country's prime minister. It approves investment-specific conventions granting advantages to any investors making substantial investment in the country.

## CHAPTER THREE

# THE REGIONAL PRODUCT

### ACTIVITIES, RESULTS, AND IMPACTS

As part of the project's initiatives to promote international best practices, two observational study tours were organized for 15 RIC directors, two managers from the Ministry of Interior, and two managers from the Department of Investment. The project also provided technical assistance to three of the 16 RICs to implement a strategic approach to investment promotion in their regions, to build an information database for investors, and to identify investment opportunities.

### BEST PRACTICES AND BENCHMARKING

Two study tours to the United States were organized for RIC directors and Ministry of the Interior and Department of Investment managers to expose the participants to investment promotion and regional economic development practices in four U.S. states and the District of Columbia. The first group visited Georgia and South Carolina in April 2004, while the second traveled to Washington, D.C.; Virginia; and Maryland in October of the same year. The tours allowed participants to witness firsthand the organizational structures and operations of successful U.S. investment promotion agencies. They learned about these agencies' investment promotion resources, methods, tools, and approach to public-private partnerships for regional economic development.

Participants were particularly interested in the heavy involvement of the private sector and the academic community in economic development, planning, and regional marketing. They learned that local authorities, the private sector, and academic institutions have as much responsibility for regional development as the government and that economic development requires strategic planning at the regional and sectoral levels. Finally, they observed that U.S. investment promotion agencies behave more like private sector entities, operating under streamlined, flexible management structures that are customer service-oriented.

With regards to marketing, the participants learned that the quality of human resources for labor is one of the principal elements of interest to investors. In the same vein, the availability of property and of credible regional economic data accessible through the Web are determining factors in making investment decisions.

RIC directors, as well as Department of Investment and Ministry of the Interior managers, now have a better understanding of what is needed to attract and facilitate investment. Through the tours, 18 Moroccan officials were exposed to best practices in investment promotion and economic development at the local, regional, and national levels. They all have expressed a commitment to apply what they have learned, and several are already doing so. Some project

activities, such as work on the regional product and regional investment promotion strategies, already have provided opportunities for RIC directors to implement the best practices observed during the study tours.

## **REGIONAL STRATEGIES FOR PROMOTING INVESTMENT**

The methodology used by the project to promote investment called for the involvement of regional leaders in the development of regional strategies, and in the implementation of subsequent work plans. The goal was to impart international best practices by introducing methodologies and tools successfully used by competing promotion agencies and adapt them to the Moroccan context. Since the project's limited resources made it impossible to work with all the RICs on regional strategy development, we targeted a few of these agencies with a view to sharing successful experiences, approaches, and tools with the others.

Lessons learned from Europe and the United States show that regional economic development strategies produce results when all the key regional players are involved in data collection and analysis, strategic planning, and strategy implementation. The project adopted this approach from the start, forging partnerships among the public, private, and academic sectors. This was most evident in our work on the regional product.

Four regions were initially selected for application of this approach: Oriental, Marrakech-Tensift-Al Haouz, Greater Casablanca, and Chaouia Ouardigha. These regions face diverse challenges to regional economic development. For example, Marrakech-Tensift-Al Haouz's development depends on a single industry. Income-generating activities and job growth there are tied to tourism, underscoring the need to diversify the economy. Like other border areas, the Oriental region lacks a strong industry, suffers from a high rate of unemployment, and has a dominant and underproductive agricultural sector. As a priority region in Morocco's national development policy, the Oriental region has received considerable attention. With multiple initiatives and studies under way, the project team felt that efforts now should focus on moving from analysis to focused action. The Oriental RIC placed marketing at the top of its priority list. Given the status of ongoing regional initiatives, however, the project was unable to assist in this regard.

Finally, in the case of Casablanca and Settat, it quickly became evident that these neighboring regions (which previously formed one economic region) enjoyed complementary assets. Together, they could more effectively respond to investor needs, and they had much to gain from joint promotion efforts. While Settat has excellent land assets, Casablanca combines the benefits of a large metropolis with strong services and logistics, good research and development facilities, an industrial tradition, and a relatively skilled workforce. The challenge was to help this region — the nation's most advanced — increase its competitiveness in the international arena.

Our estimates indicate that the regions selected to receive USAID assistance represent 37 percent of Morocco's economically active population and more than 50 percent of the country's gross domestic product (GDP). Targeted efforts in these regions thus held the promise of broad impact on nationwide employment and investment.

## **REGIONAL STRATEGIES DEVELOPMENT**

The project team began this activity by engaging key regional actors in strategy development and implementation of the resulting action plan. Project consultants Andrew Thorburn and Abdellatif Mazouz provided technical expertise, tools, training, and guidance to various working groups and regional strategy development committees. In line with the project's participatory

approach, regional administrations, local authorities, the private sector, civil society, and the academic community contributed to these efforts.<sup>5</sup>

Drawing on regional data collected by the project, efforts to develop regional investment promotion strategies initially focused on defining the regional “product” or “offering” to be promoted. The main task was to identify key regional strengths (criteria that affect investor decisions) and weaknesses (so measures could be taken to overcome them). This process involved the following steps: defining objectives and methodologies; creating thematic groups in charge of data collection and analysis; surveying investors to gauge their interest in a region; benchmarking with competing regions; analyzing the strengths, weaknesses, opportunities, and threats (SWOT) related to the regional product; studying investment opportunities in key sectors; and identifying the actions and resources required to achieve target objectives.

The project completed the data collection and analysis phase for the Casablanca-Chaouia “mega-region” and the Marrakech-Tensift-Al Haouz region. In addition, regional investment promotion strategies were developed for the Chaouia Ouardigha (Settat) and Marrakech-Tensift-Al Haouz regions. Those regions are now much better equipped to take concrete and efficient steps that will result in increased investment and economic development.

The regions completed the process outlined by the project and are currently implementing their work plans. Among other activities implemented in the past few months, we note the following:

- The Walis, assisted by the president of Chaouia Ouardigha, met members of the association for enterprises working in the chemical and petrochemical industries (la Fédération de la Chimie et de la Parachimie) to discuss with them the acquisition of 300 hectares of land that the project team previously identified as strategic. The intention is to use this land for several initiatives, among them the construction of a center for competency development (système de production localisée ou pôle de compétence) for members.
- Additionally, cement-manufacturer Lafarge currently is negotiating with the region to acquire 150 hectares of land to use in the development of the Bâtiment et Travaux Publics cluster (cement, bricks, ceramic, and sanitary equipment), as recommended in the regional strategy the project developed.
- The Japanese investment firm SewsCabin, identified in our study on automobile components as one of the most important investors to target, will open a plant in the region in 2006 that will employ 14,500 people.
- In addition, the local districts (communes) in the region identified more than 1,000 hectares of both state- and community-owned land that can be acquired for industrial investment.
- In order to plan for the increased demand for skills currently unavailable in the regional labor market, the Office de Formation Professionnelle et de Promotion du Travail (OFPPT) launched the development of new training programs specific to the clusters promoted. A development plan was drafted and the number of students will be increased, as OFPPT plans to double its capacity between 2005 and 2009.
- At the same time, the problems identified in the RICs’ survey of some of the industrial zones led to the rehabilitation of selected infrastructure and increased security for enterprises and their employees. Investors expressed their satisfaction with the work done.
- In December 2005 in Casablanca, a working group comprising the RIC; representatives from the Wilaya, the Ministry for Industry and Trade, and the universities; the OFPPT; and private training institutions in trade and engineering met to work on a strategy to address the training

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<sup>5</sup> From November 2004 to April 2005, working groups formed in the Casablanca and Chaouia Ouardigha regions alone carried out 1,500 person-days of work.

needs of the business process outsourcing (BPO) sector, as recommended by the project. All parties agreed to a common deadline (February 2006) to develop their work plan for submission to the state for funding.

Activities listed are not exhaustive, but they illustrate well how the targeted RICs are following through with the implementation of the regional strategies they developed with assistance from the project. It should also be noted that three other regions decided to develop a regional strategy using the approach and methodology promoted by the project. The former director of the RIC in Chaouia Ouardigha, today working as RIC director for Tanger-Tétouan, has initiated a similar strategy development process. The director for Tadla-Azilal works in close collaboration with the RIC of Marrakech-Tensift-Al Haouz to assess complementarities between the two regions and to determine how they can best work together. And the director for Meknès-Tafilalet is also considering initiating the same process.

### **CREATING INFORMATION NETWORKS**

The first problem confronting the three target regions — as well as the others — was a deficiency in the type of regional data expected by investors and essential for successful implementation of investment promotion strategies. In some cases, information was available but was extremely difficult to obtain from the relevant agencies. In others, national-level data could not be disaggregated at the regional level (e.g., GDP, value added for different economic sectors). Finally, some data, while critical to investors and investment promotion efforts, simply did not exist (e.g. inventory of available property, industrial buildings, and facilities). This considerably hampered the work of the RICs and their regional partners in attracting investors.

To overcome this problem, the regions created information networks comprising all the regional entities responsible for providing the required information. Project staff specified all data needs in a set of 28 tables that guided the work of the regional strategic development committees and working groups.<sup>6</sup> The teams that were thus formed laid the foundation for a true regional information network. They met frequently to gather the data listed in the tables, subsequently validating and analyzing the information collected.

Drawing on this regional experience, the project worked with the Department of Investment to launch a similar effort that set a foundation for development of a national investment portal. This activity focused on bringing together all the national agencies that generate economic and social data to form the National Committee on Investor Information.

The goal was to incorporate this information into a national database that would allow investors to assess investment opportunities in Morocco. In addition to the work of each individual agency, the National Committee met four times and provided nearly 60 percent of the information requested. The Department of Investment must now continue these efforts and ensure the committee's sustainability, preferably by housing it in the State Planning Commission.

The establishment of information networks has played an important role in raising the awareness of regional and national authorities with regard to the need for reliable economic data to support regional decision-making. These efforts also provided an opportunity to discuss the issue with the State Planning Commissioner, Mr. Lahlimi, who also heads the Department of Statistics. As a result, Mr. Lahlimi traveled to Marrakech to meet with RIC directors and to listen to their

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<sup>6</sup> See "Canevas de Collecte d'Information," in *Promotion des Investissements: Stratégie Concertée—Outils de Travail*, November 2005.



needs.<sup>7</sup> The State Planning Commission has since expressed its commitment to work with the RICs to ensure that investors have easier access to regional economic information. It is now up to the ministry overseeing the RICs to follow up on this initiative as part of its efforts to tailor statistical tools to new regional priorities.

## **IDENTIFYING INVESTMENT OPPORTUNITIES**

The analyses underpinning the methodology for regional strategy development made it possible to identify sectors in which the regions had a competitive advantage. To deepen these efforts, the project commissioned two sectoral studies that helped illustrate the steps required to implement the strategies and served as the basis for training RIC managers.

The Marrakech-Tensift-Elhaouz region defined its own development priorities with assistance from a European consulting firm (Inno TSD). In collaboration with Inno, the project experts identified four value chains to promote:

- Call centers (BPO)
- Health and services in the tourism cluster
- Communications and information technology research, in line with the human resources being developed by the local university
- Biotechnologies used in the agriculture and agribusiness sectors

An in-depth analysis of investment opportunities was performed by project consultants for the BPO sector for Casablanca and for the automobile sector for the Chaouia Ouardigha region. The two studies were conducted by Sami Baghdadi (BPO) and Albert Suissa (automobile components).

The methodology focused on: identifying strengths and weaknesses, opportunities, and threats to the region in light of the criteria that investors use to appraise potential investment sites; market opportunities; matching of supply and demand; investor targeting; marketing strategies; and the synthesis of all of the above in the form of a regional action plan.

The impact of these efforts hinges on the capacity of the RICs to implement the recommendations put forth in the studies. Based on the assistance provided so far, the project team believes the RICs in question will continue to enjoy the support of their regional partners in implementing the action plans that resulted from the studies.

Given that the same methodology can be used for any sector, these and other RICs now have the tools needed to conduct or commission similar studies of sectors with the greatest potential to attract investment in their respective regions. The project team has shared this methodology, along with the results and reports of the sectoral studies, with all the RICs.

## **TRAINING**

The project provided training on foreign direct investment in the form of “master classes” to regional decision-makers. Ten training sessions were organized in the regions of Souss-Massa-Drâa, Chaouia Ouardigha, Tadmora, Greater Casablanca, Doukkala Abda, Marrakech-Tensift-Al Haouz, the Oriental, Tangier-Tétouan, Meknès-Tafilalet, and Fès-Boulemane. An additional workshop was held in Rabat for the Department of Investment and central administrations. More than 350 people attended these sessions, which sought to foster a common understanding

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<sup>7</sup> Meeting of RIC directors, Marrakech, March 2005.

of the crucial role investment plays in regional economic development, to standardize the approaches and actions of decision-makers, and to encourage them to work with the RICs.

Through the RICs, the project engaged local officials, business leaders, regional agencies involved in economic development, active professional associations, universities, and training providers. In most cases, the Walis led the sessions, which lasted an average of five hours.

#### **TRAINING ON FDI FOR RIC EMPLOYEES AND MANAGERS OF THE DEPARTMENT OF INVESTMENT**

Two FDI training sessions targeted RIC and Department of Investment managers. An initial three-day workshop was held in Settat in May 2004 for 26 managers from nine RICs and the Department of Investment. The workshop covered topics such as: FDI trends over the past 10 years, investor needs, the role of the regions in attracting investment, the organizational structure of effective investment promotion agencies, the benefits of investment promotion, how to identify key regional sectors, marketing strategy development, and the role of regional alliances in developing competitive advantages. A second workshop covering the same topics was held in Rabat in April 2005 for 17 managers from eight RICs and the Department of Investment.

The workshops were well received by the participants. RIC staff started off with a fairly limited understanding of investment promotion approaches in general and of methodologies for attracting FDI in particular. The training sessions made them more aware of their knowledge gaps and exposed them to international best practices in investment promotion.

The last training session was held in Rabat in November 2005, coinciding with the last RIC directors' meeting. The two-day meeting brought together a number of consultants, regional decision-makers, and RIC staff who had played a major role in regional strategy development. The participants shared their experiences with one another and received a manual describing the methods, resources, and tools used by the project, along with a copy of the two sector studies mentioned earlier.



## CHAPTER FOUR

# PROMOTION

### ACTIVITIES, RESULTS, AND IMPACTS

This section describes all project activities aimed at investment promotion and marketing, including development of a national investment portal, eight RIC Web sites, and communications training. It is important to note that all project participants used the term “investment promotion” in its broadest sense. The activities encouraged or implemented by the project sought in one way or another to facilitate or attract investment.

#### RIC PROMOTIONAL WEB SITES

The RICs need a suitable Web presence. A good promotional Web site should speak the language of investors and should not be confused with an institutional site. Investors and international consultants looking for attractive investment destinations typically begin their search on the Internet, where they can find basic information on regions and countries of interest. It is often based on this initial research that they develop a short list of countries and regions to be contacted or visited at a later stage.

RIC Web sites should get straight to the point by providing visitors with key information right on the landing page (regional product, workforce skills and costs, production factors, available property and prices, infrastructure, etc). All RICs should gather (but not generate) such information and keep it up to date. To simplify this task, the project team provided the RICs with data collection tables to guide the development of regional Web sites. The main challenge in developing content for the sites was similar to that faced in crafting regional strategies — the required information was not always available, and when it was, multiple efforts involving a number of organizations were required to obtain it.

Work on the Web sites allowed the project to educate eight RICs and some of their partners on investor information requirements. With assistance from technical writers and a professional photographer provided by the project, the RICs of Guelmim-Essmara, Oriental, Doukkala-Abda, Tadla-Azilal, Meknès-Tafilalt, and Taza-Alhoceima-Taounate, among others, completed their promotional Web sites. To minimize costs and create a coherent “RIC identity,” we developed a Web site architecture that can be replicated and adapted by all the RICs. The Web sites are based on a common design, but each has a distinctive identity in terms of visual elements (photos and colors) and the region-specific information it contains. URL addresses for the sites are:

- [www.meknesinvest.ma](http://www.meknesinvest.ma)
- [www.tadla-azilal.ma](http://www.tadla-azilal.ma)

- [www.alhoceimainvest.ma](http://www.alhoceimainvest.ma)
- [www.laayounneinvest.ma](http://www.laayounneinvest.ma)
- [www.orientalinvest.ma](http://www.orientalinvest.ma)
- [www.dakhlainvest.ma](http://www.dakhlainvest.ma)
- [www.safi-invest.ma](http://www.safi-invest.ma)
- [www.criguelmim.ma](http://www.criguelmim.ma) or [www.criguelmim.net](http://www.criguelmim.net)

## **NATIONAL INVESTMENT PORTAL**

For the “national product,” the project developed a new investment promotion portal for Morocco. Unlike the RICs, the Department of Investment seeks to promote Morocco as a whole and is thus primarily concerned with the country’s overall image. The content of the national portal differs from that of the regional Web sites in that it captures national data rather than details on each region. Nevertheless, the site’s homepage features an interactive map of the country’s 16 regions. With the click of a mouse, investors can select a region, read a synopsis of the regional offering, and access the RIC Web site of interest.

## **EVENTS WEB SITE**

At the request of the Department of Investment, the project developed a Web site to advertise events it organizes. The site makes it possible to manage participant registrations, requests for information, and correspondence with individuals attending or organizing such events. The Web site was initially created to publicize the international “The Fundamentals of Investment 2004” conference and was used for the same event the following year. The Department of Investment can easily customize this template to promote other events on the Web.

## **TRAINING IN COMMUNICATIONS**

In April and May 2005, the project organized three training workshops on how to deliver effective presentations. Synergy Formation, a local consulting firm provided the training in Rabat (April 27-28 and May 13-14) and Agadir (May 26-27). In all, 20 RIC and Department of Investment managers attended the sessions. Several RICs subsequently used Synergie Formation to offer training in communications to their remaining staff who did not participate in the training provided through the project.

## **INVESTOR TARGETING DATABASE TRAINING**

The RICs and the Department of Investment also received training on how to use international sources of information on investors. On February 10, 2005, the project organized a workshop in Casablanca on use of the LocoMonitor database. Subscriptions to this worldwide investment database were purchased by USAID; the RICs of Marrakech-Tensift Al Haouz, Chaouia Ouardigha, and Greater Casablanca; and the Department of Investment. A total of 13 people attended the workshop, which was led by Julia Mikerova of OCO Consulting, owner of LocoMonitor.

The database subscription, which costs €13,500 per year, makes it possible to conduct research on investors and investment destinations by sector. It is used primarily to target specific investors. The cost of the database was to be equally shared among the Department of Investment and the RICs of Marrakech, Settat, and Casablanca. The project also paid a share and for the cost of the training provided. However, as of the date of this report, the Moroccan counterparts have not honored their payment obligations to OCO Consulting.

## CHAPTER FIVE

# RESULTS AND LESSONS LEARNED

### PROJECT RESULTS AND LESSONS LEARNED

Project activities achieved impressive results. Most importantly, it improved the Government of Morocco's ability to manage investment procedures and to develop and market regional products. We begin this section by detailing the specific results that can be attributed directly to the project and the broader results whose impact can be anticipated in the near future. We then describe a few of the lessons learned in addressing the challenges of implementing this project. Some of these lessons may be useful for the design and implementation of future investment promotion projects in Morocco or other developing countries.

### SPECIFIC RESULTS

#### PROCEDURES

- Regional administrations collaborate better with the RICs, and services to investors provided by the RICs are more consistent throughout Morocco because all RICs and their partner administrations use the same manual of procedures.
- The direct cost for procedural automation (software and licenses), as well as indirect costs (maintenance and management of software application and equipment), are reduced through the use of Web-based software.
- The RICs' work practices have been standardized and are more efficient because of the automation of their procedures.
- GOM decision makers on the national and regional levels have a better understanding of the investment situation throughout Morocco and rely on better data in decision-making and policy-making.
- The Department of Investment has a manual of organizational principles to guide its restructuring into a national investment promotion agency.

#### REGIONAL PRODUCT

- With trainings on foreign direct investment organized by the project, managers from the RICs and the Department of Investment now have a better understanding of investors' needs and expectations, as well as the relationship between investment promotion and regional economic development.
- A total of 350 regional leaders are better aware of the importance of investment in regional economic development and understand better investors' needs and the factors of

competitiveness that influence investment decisions. Because they understand better what the RICs' role is, they can support them better.

- The regions of Marrakech-Tensift Al Houaz and Chaouia Ouardigha now have regional strategies to attract investors. Because they were developed through a participatory approach, these strategies now benefit from the full support of all regional decision makers, including representatives of the public and private sectors as well as educational institutions.
- The two sectoral studies conducted on business process outsourcing and automobile components identified priorities for immediate actions that Casablanca and Chaouia Ouardigha already are implementing.
- All the RICs now have the tools needed to develop and promote strong regional products.
- Relevant national authorities are now aware of the problem linked to lack of reliable regional and national economic information and are taking appropriate steps to solve the problem by reviewing the way national statistics are aggregated for publication.

#### **PROMOTION**

- A gate site for investment promotion was developed for the Department of Investment, which is currently in the process of finalizing content development.
- A Web site template has been developed for the Department of Investment to use in promoting the various international events it organizes.
- Eight RICs were provided with high-quality Web sites that meet investors' expectations and will be used to promote the eight regions.
- Twenty-four managers from the RICs and the Department of Investment were trained on how to make convincing presentations and communicate effectively with investors.

#### **BROADER RESULTS AND IMPACT**

An overall impact of the project was that it laid the groundwork for more efficient and transparent collaboration between the RICs and the regional and national administrations, all of which need to work together to promote investment in Morocco effectively.

In developing the concept of the Casablanca- Chaouia Ouardigha "mega-region," the project also opened the door to inter-regional cooperation for investment promotion. This approach could be highly beneficial to Morocco because the way the country is divided into various administrative areas does not always reflect or coincide with the socioeconomic realities of the different regions. Two administrative regions may be very complementary to one another, and their teaming could generate attractive offers from potential investors.

By agreeing to carry on its work simplifying investment procedures past the life of the project, the National Committee on Investment Procedures will continue to improve the investment environment in Morocco and the country's ability to respond quickly to investors' demands.

Finally, ongoing implementation of the software application and database of investment systems developed under the project will result in time in the true decentralization of investment promotion in Morocco, as well as better governance and increased transparency in the business environment.

## **LESSONS LEARNED**

### **WORKING WITH LIMITED RESOURCES**

The project was implemented over a short period of two years, with a budget of \$2.2 million and a single long-term expatriate professional. Despite these limited resources, the team was able to bring together a wide range of stakeholders to resolve core investment issues, such as standardization of procedures, access to better regional and national information, and development of regional strategies to attract investment. The project's cost-containment measures included:

- Investing in resources shared by multiple beneficiaries, such as the Web-based software application, the procedures manual, and customizable Web site architecture
- Targeting technical assistance to those RICs with the highest potential to successfully meet project objectives
- Sharing costs with counterparts wherever possible (e.g. cost-sharing for the training workshops and study tours, and joint purchase of the LocoMonitor database subscription)
- Providing targeted IT assistance in support of desired results and outcomes

### **WORKING WITH THE RICs AND THE DEPARTMENT OF INVESTMENT**

The large number of counterparts — 16 RICs and the Department of Investment — was one of the main challenges facing the project. Despite the different issues specific to each region and the RICs' varied interpretation of their mission, some approaches and/or activities allowed us to maximize impact:

- Training provided to regional decision makers helped to foster a common understanding of investor needs, the regional support they require, and the importance of key elements in the regional product (e.g. property; workforce quality, cost, and availability). This understanding also helped us to rally the RICs and the Department of Investment around project objectives.
- The project made a concerted effort to tailor its mode of communication to the technological capacity of each RIC by using e-mail, fax, and telephone as appropriate.
- The team began by visiting all the RICs (except Laayoune and Dakhla), followed by targeted visits to select RICs whenever necessary.
- Department of Investment representatives were invited to participate in all project activities, except for the semi-annual RIC directors' meetings.

### **PROMOTING INTERNATIONAL BEST PRACTICES**

Many of the decision makers and managers responsible for setting and implementing investment policy in Morocco had limited exposure to international best practices in investment promotion and little understanding of what it takes to for a country or region to compete for investment on a global scale. It was very useful to organize the first study tour early in the life of the project. The experience of seeing firsthand the effects of international best practices in action helped to rally the various partners around the project's objectives and participatory approach. The two observational study tours, the regional master classes, the training workshops for RIC and Department of Investment managers, and the RIC directors' meetings allowed project partners to explore the possibilities of creating public-private partnerships for economic development and promoting the participation of the private sector and the academic community in strategic planning and regional marketing.

## CHAPTER SIX

# RECOMMENDATIONS

### RECOMMENDATIONS

The project team recommends that USAID consider supporting broader deployment of the software application developed by the project and providing additional technical assistance to the National Committee on Investment Procedures (NCIP). Actions that should be immediately undertaken by the Government of Morocco to further support King Mohamed VI's initiative for regionalization and decentralization of investment promotion are also outlined below. Finally, this section provides recommendations to the RICs themselves.

### RECOMMENDATIONS TO USAID

#### 1. SUPPORT DEPLOYMENT OF THE SOFTWARE APPLICATION

The RICs must integrate the application developed by the project into their work environments and convince partner administrations to use it. To facilitate the transition from a paper-based to an automated system, an expert familiar with the application should visit all the RICs to train users — including investment officers, administrative personnel, and IT engineers — with a focus on the administrative tasks specific to each RIC. This on-site presence for a few days is an essential step to ensure an effective transition to full and appropriate utilization of the software. Indeed, the RICs will face different problems during the transition because of their different working methods. On-site assistance also will provide an opportunity to invite all regional administrations to attend a demonstration of the software they will be expected to use.

Furthermore, the recent GOM validation of the investment procedures manual means that the software requires some immediate modifications. The NCIP has streamlined the manual by retaining only those procedures required by current regulations, which calls for some changes in the software. Finally, online and telephone support, as well as a point of contact, should be provided to RIC users and partner administrations as they integrate the software into the workplace.

It took an average of six months for the RICs to deploy, configure, and provide staff training in the business creation software used by Guichet No. 1 staff, according to the RICs with whom we discussed this issue. This involved four simple procedures and four different agencies. In the case of Guichet No. 2, the process involves 47 procedures and 15 agencies. The application is complex because investment procedures and the work of Guichet No. 2 are also complex. Therefore, continued guidance to the RICs is crucial. Such support could not be provided by the project due to lack of time and resources.

At the request of several RICs, it was agreed at the directors' meeting held in Tangier in June 2004 to organize a meeting of all parties involved to discuss technological choices and type of software application(s) to be developed. Unfortunately, the meeting, which was scheduled for December 17, 2004, was cancelled by the Ministry of Interior two days before it was to be held.<sup>8</sup> Attempts were made to reschedule the meeting for either January or February 2005, without success. In March 2005, the project had to proceed and contracted out the development of the software to ARGAZE, one of the subcontractors on this project. The lost three months prevented us from providing assistance in the deployment of the software at the end of the project.

## **2. PROVIDE FOLLOW-ON TECHNICAL ASSISTANCE TO THE NCIP**

The NCIP's commitment to continue the work begun by the project is shared by the administrations themselves, which recognize the problems, redundancies, and outdated legal provisions tied to investment. The work they are preparing to undertake is essential to Morocco's economic development. Some legal provisions are several decades old and need revision. As this sometimes tedious work requires perseverance and resolve, the NCIP would benefit greatly from the continued support of an expert in the simplification of investment procedures. Streamlining such procedures will go a long way toward improving Morocco's business climate.

## **RECOMMENDATIONS TO THE GOVERNMENT OF MOROCCO**

Through implementation, our project team gained a thorough understanding of the RICs' work environment and the challenges linked to the administrative decentralization of investment. The objective of this report is to share that knowledge with all the RICs and other GOM decision makers. The RICs have the potential to impact regional investment greatly, but for this to happen, some issues that have impeded their work since they were created must be resolved.

### **1. LEGALLY ESTABLISH THE REGIONAL INVESTMENT COMMISSION AND CEASE THE CREATION OF MULTIPLE REGIONAL COMMISSIONS**

More than four years after the RICs were created by His Majesty's decision to regionalize and decentralize investment, multiple regional commissions are still in existence or have been created newly by various national administrations. By establishing the regional investment commissions, the GOM wished to provide a forum for all administrations concerned with an investment project to meet and work together simultaneously so that administrative delays did not accumulate and the overall time required by the investor to obtain all administrative authorizations would be shortened. Despite this decision, the regional commissions today are nothing more than the joining of the CICATEL and 5/180 Commissions. Even more surprising, in addition to the existing commissions, a new commission recently has been created to manage some of the land procedures related to investment, contradicting the disposition of the Royal Letter.

By merging all regional commissions into one regional investment commission, the GOM intended to simplify the management of administrative procedures related to investment. Rather than questioning the prerogative of the national administrations, the regional commissions should work hand-in-hand to coordinate these efforts.

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<sup>8</sup> The reason given by the ministry was that the project team had not followed the procedure preferred by the ministry for organizing such a meeting. This procedure had not previously been communicated to the project team.



## **2. FORMALIZE THE SHARING OF RESOURCES AND EXPERTISE AMONG THE RICS**

Competition among RICSs and regions of Morocco must not harm their collective image. By building consensus and sharing resources, the RICSs could be more efficient in their activities. Their institutional image would be enhanced, and they would communicate more effectively with the Moroccan population and investors.

One example are the domain names used for RICSs' Web sites. Different naming protocols and extensions used — such as [www.criguelmim.net](http://www.criguelmim.net), [www.safi-invest.ma](http://www.safi-invest.ma), and [www.orientalinvest.ma](http://www.orientalinvest.ma) — do not lead investors to think they are dealing with one country or one type of institution. By choosing to use a common logo, the RICSs took the first step towards a form of branding. The development of a common “identity” for the RICSs is desirable. It will allow the RICSs to collectively benefit from individual promotional initiatives. This is very important in the context of international marketing.

In terms of cost containment, the use of the software application developed in this project must be made mandatory. It is difficult to understand why considerable budgets continue to be granted to some RICSs to pay for the development of individual software packages when a Web-based, high-performing application is already available. The advantages linked to the use of a common application were explained above: standardization of all services provided throughout the kingdom; reliable data on regional investment; reduction of costs (less technical staff time required to modify the software applications each time a new procedure is introduced); better access to certification, etc. Use of a common software application will also help the RICSs to benefit from the Ministry of Interior's ongoing efforts to increase the security of electronic information by creating a center for the hosting of all government databases.

## **3. VALIDATE THE MANUAL OF INVESTMENT PROCEDURES BY ALL THE CENTRAL ADMINISTRATIONS AND OFFICIALLY TRANSMIT IT TO THE REGIONAL ADMINISTRATIONS**

Collaboration between the RICSs and their regional partner administrations must be systematic and non-negotiable. It is in the interest of Morocco to require a high level of cooperation among all stakeholders. The *Manual of Investment Procedures* developed under this project provides the highest authorities in the country with an opportunity to send a strong message to that effect. The attitude of some regional administrations and their lack of receptivity to inter-administrative cooperation is not limited to the management of investment procedures. In most regions, it is difficult for the RICSs to obtain the regional economic information they need for their work. The GOM must call everyone to order and promote regional inter-administrative cooperation for Morocco to realize its potential for investment and broader economic growth.

## **4. EMPOWER THE RICS TO MAINTAIN A QUALIFIED AND STABLE WORKFORCE**

The RICSs have suffered from inadequate salaries and incentives since their inception. The incentives system envisioned by the Royal Letter has yet to come to fruition. As a result, some RICSs have lost highly competent and much-needed personnel. To avoid becoming just another bureaucracy, the RICSs should embody the spirit of the Royal Letter by putting in place a performance-based salary system as soon as possible. Except for the directors, many RICS employees are under-compensated and consequently lack motivation, despite the occasional incentive schemes that some RICSs have adopted.

## **5. EMPOWER THE RICS TO COLLECT FEES**

The RICSs cannot play their role as one-stop shops until investors can use them as a central location for paying the various administrative fees linked to the investment procedures. RICSs



were granted SEGMA status, which in the Moroccan public administration system gives them the right to collect fees. They now need to negotiate with their partner administrations in order to act as true one-stop shops.

## **6. EMPOWER THE RICS TO MOBILIZE LAND FOR INVESTMENT PURPOSES**

One of the important tasks for the RICSs to undertake is to identify land that can be mobilized for investment. Historically in Morocco, much of the available land has belonged to the state or to parastatal organizations, and this land has not been put to productive economic use for the benefit of the kingdom. This unproductive capital should be used for economic development. Unfortunately, that measure is opposed by powerful central administrations that consistently dispute the validity of such actions and resist any attempts made to challenge their conservative view of what is best for the kingdom. A mediation system has to be put in place. The Ministry of Justice could set the example by finding a way to solve legal objections on land use that have, in some cases, been in court for more than 10 years.

## **7. STRATEGICALLY APPLY BUDGET ALLOCATIONS TO RICSs**

As long as non-urbanized regions like Beni Mellal continue to be unfairly compared to Casablanca (in classifying RICSs according to the number of enterprises created and volume of investment processed), the issue of RICSs' performance evaluations and the importance of recognizing and valuing hard work will remain unresolved. GOM decisions regarding budget allocations should be based on the RICSs' stated objectives and plans of action for achieving them. These objectives should fit within a larger framework for economic development of each RICS's region.

In time, some RICSs could specialize and be relieved of certain tasks in favor of others. Modern technology and the software application developed by the project make it possible to offer decentralized services in all regions without the need to maintain a heavy investment promotion infrastructure. In some provinces, one trained employee equipped with a computer, a printer, and access to the Internet is all that is needed to offer acceptable services to investors.

## **8. ENSURE BETTER INTEGRATION BETWEEN THE DEPARTMENT OF INVESTMENT AND THE RICSs**

The work of the RICSs and that of the Department of Investment must be done in a more complementary fashion. The RICSs now understand that investment promotion for the benefit of the country entails monitoring of capital and investments made by large multinational corporations, as well as decisions taken by competitor countries. Information on the global economy is also needed. That role could be handled best by the Department of Investment, since it already has an understanding of the macroeconomic factors that affect FDI. The Department of Investment's mandate could be modified to include monitoring changes in FDI, obtaining information, and making it readily available and usable by the RICSs. The RICSs could also pool their resources to obtain reliable information that is specific to one or more regions through the Department of Investment.

## **9. IMPROVE THE DEPARTMENT OF INVESTMENT'S CAPACITY TO SERVE AS A NATIONAL INVESTMENT PROMOTION AGENCY**

A national agency is essential to attract major investment projects, particularly from abroad. The U.S. investment promotion agencies that RIC directors visited have significant financial resources and can conduct their own international promotion campaigns. In contrast, the Moroccan regions lack sufficient funds to increase their efforts abroad. If individual RICSs were

to begin promoting their regions to foreign investors, this would quickly deplete available investment promotion budgets. Morocco needs a strong national agency capable of working with the regions and cities to promote them internationally.

Due to a lack of resources, the Department of Investment is not yet able to fulfill its role as the national agency for investment promotion. Investors initially choose a country, then a region, in which to invest — hence the importance of a national image and a team capable of promoting the country as a whole.

## RECOMMENDATIONS TO THE RICS

Different regions require different interventions, strategies, and approaches, and an overall structure for coordination of these efforts. Naturally, the RICS are evolving in step with the potential of their respective regions and their own capacity to attract and retain investors.

Most investment is concentrated in five regions — Tangier, Rabat, Casablanca (which may eventually merge with Settat), Marrakech, and Agadir — which we believe have the potential to attract higher volumes of foreign investment at the present time. These regions must consolidate and unite their promotion efforts, in collaboration with the Department of Investment, if they are to attract international investors in the key sectors of their regions. Growth in international investment could generate major national investments, both in these regions and in neighboring areas.

The five leading regions are followed by a number of “intermediary” regions, including Fès, Oriental, Meknès, Kénitra, Safi, and Settat (if pairing with Casablanca does not come to fruition). Except for the Oriental region, which has attracted huge public investment, especially in infrastructure, these regions are generally similar to those in the first group. They are established investment destinations and have the potential to attract much higher volumes of investment than they currently receive. To do so, they should adopt a strategy of targeting both national and foreign investors, while increasing their capacity to promote themselves, provide sustained business creation support, and strengthen the loyalty of existing investors and entrepreneurs.

Finally, there are other administrative regions that will be unable to attract significant investment without considerable government support. The RICS in these regions should focus their efforts on investment promotion, facilitation, and business creation support, while assuming a larger role in advancing regional economic development.

If the RICS are to play a role in economic development, in addition to their basic administrative functions, they should have the capacity, resources, and flexibility to:

- Develop investment promotion strategies and action plans that reflect their potential to attract investments in specific sectors, based on a thorough understanding of investor needs and regional competitive advantages.
- Meet investor information requirements and offer this information in a simple format. Guidance and support to investors throughout the investment process will be necessary until procedures are simplified.
- Develop a property offering and infrastructure that meets the expansion needs of existing businesses and the demands of new investors. During the project, we identified hundreds of hectares of state-owned land in the three regions where we worked. These property reserves could be mobilized to support economic development, create jobs, and launch programs to attract strategic investors. The RICS could develop a property offering through public-private partnerships, provided they build the capacity to foster such partnerships.

In the past two years, the project has been party to discussions about the role and mission of the RICs as catalysts for regional economic development. From a national perspective, a set of common rules and a single procedural structure are required to guarantee transparent, uniform investor services throughout the country. From a regional perspective, the RICs could help regional decision makers define economic priorities, develop action plans, and evaluate results. This should be the role of the Ministry of Interior's Direction de la Coordination des Affaires Economiques.

From a more regional perspective, the RICs could work with regional decision makers to better define regional economic priorities and to monitor progress. Public administrations in most regions currently lack the capacity to produce tangible impacts on regional economic development. This model calls for granting the RICs greater flexibility and more responsibilities vis-à-vis the regional councils.

## CONCLUSION

The investment process requires coordination between various public agencies to work well with one another and with the private sector. This type of cooperation is not evident in Morocco and does not come automatically. The RICs were created because it was believed a cross-cutting agency was needed to facilitate this type of cooperation and to promote the administrative decentralization necessary to improve Morocco's performance in the modern global economy. However, inter-administrative cooperation is far from a priority concern of many of Morocco's administrations — hence the importance for the RICs to be granted support from the country's highest authorities to fulfill their mandate. The performance of each RIC depends on its administrative partners' willingness to cooperate with them, and the RICs' limits mirror those of their regional economic partners.

The Royal Letter establishing the RICs envisioned them as a regional tool for promoting domestic and foreign investment. In several regions, however, the RICs often are called upon to play significant roles in addressing more general development needs due to the lack of other players. Since regionalization and regional economic development calls for coordination between all regional actors, some of the Walis who were given responsibility for job creation naturally turned to the RICs to fill the void. Economic development experts are currently studying the one-stop shops that have been established worldwide. They warn that with reduced processing times as their main sales pitch, governments seem to forget that for investors, the potential for success of their venture, transparency (i.e., fair treatment at all levels within clear timeframes, even if they are somewhat long), and a country's and region's development prospects are even more important than the processing time for bureaucratic procedures. The services offered pre- and post-investment are also decisive factors for potential investors, as they impact the chances for success and business growth.

In this project, we did not directly address the issue of the RICs' mission, but it was a subtext to all exchanges we had with RIC directors. We hope that the points raised in this report as well as the project's contribution to the development of a tool to assess the RICs' performance will contribute to the debate that needs to take place on the RICs' broader role.

This project demonstrated that three elements are essential to promoting regional investment:

- Support from the country's highest authorities for decentralization and reform.
- Real cooperation between the various regional and national agencies involved in the investment process.

- Commitment from all stakeholders to improve the country's image and increase its competitiveness, with a view to attracting international investors, mobilizing domestic investment, and strengthening the loyalty of existing investors.

Despite the complexity of the inter-agency cooperation required to offer better investor services, USAID assistance has helped Morocco improve its business environment. By putting in place simpler, more transparent processes for managing investment applications, building the skills of RIC staff, promoting greater cooperation between the RICs and the Department of Investment, and raising the quality and availability of information on investment opportunities, the project contributed to repairing the image of a government that largely had been viewed as an obstacle to investment by international investors and institutions.

The GOM, NCIP members, and regional decision makers have expressed their commitment to build on the results achieved so far by continuing the work begun with USAID support. Such efforts will advance the overarching goal of the project and USAID's strategic objective by fostering economic growth and job creation throughout Morocco.

## ANNEX A

# LIST OF INVESTMENT PROCEDURES

<b>ADMINISTRATIVE PROCEDURES</b>	
	<b>Tourism</b>
100	Tourism project assessment
101	Drinking establishment
	<b>Mining</b>
200	Mining research permit
201	Mining research permit renewal
202	Mining operation permit
203	Operation permit renewal
204	Special extension of operation permit
	<b>Access to state property</b>
300	Sale of collective land to a local authority (command)
301	Sale of state property owned under private law, with town planning documents
302	Leasing of state property owned under private law, with town planning documents
303	Sale of state property owned under private law, without town planning documents
304	Leasing of state property owned under private law, without town planning documents
305	Temporary occupancy of state coastal land owned under public law
306	Temporary occupancy of forest land for mining projects
307	Temporary occupancy of forest land for tourism projects
308	Certificate of non-agricultural activities
309	Sale of state-owned farmland owned under private law and not covered by town planning documents
310	Leasing of state farmland owned under private law not covered by town planning documents
311	Authorization for the division of land situated within an irrigation or development area
312	Sensitive zone projects
314	Temporary occupation of state land owned under public law
315	Temporary occupation of ODEP-port land
	<b>Projects &gt; DH200 million</b>
400	Investment agreement, Articles 7.1 and 17
401	Investment agreement, Article 7.1
402	Investment agreement, Article 17

403	Dispute resolution
404	Signing of the FH2 contract
	<b>Variances to town planning documents</b>
500	Construction or modification project on existing constructions for non-residential purposes
501	Property development creation: projects located in a rural settlement with an approved development plan
502	Creation of a housing estate
503	Property development creation: projects not located in a rural settlement with an approved development plan
504	Land division
	<b>Environment</b>
601	Approval of an environmental impact study by the Ministry of Environment
602	Industrial Pollution Control Fund (FODEP) application request
	<b>National Agency for Land Preservation, Cartography &amp; Land Registry (ANCFCC)</b>
700	Requesting a land plan from ANCFCC
701	Requesting a title deed from ANCFCC
	<b>Urban Agency</b>
800	Request an information report from the Urban Agency for projects located in areas covered by town planning documents
801	Request an information report from the Urban Agency for projects located in areas not covered by town planning documents
	<b>Access to district (commune) land</b>
900	Leasing of farmland located within the town limits
901	Leasing of farmland located outside the town limits
902	Renewal of leases for farmland
903	Land leasing for commercial, industrial, and tourism activities
904	Renewal of land leasing for commercial, industrial, and tourism activities
905	District (commune) land leasing for mining exploration
906	Renewal of district (commune) land leasing for mining exploration
907	Resolution of issues concerning property used for illicit purposes and located within the urban perimeter
908	Resolution of issues concerning property used for illicit purposes and located outside town limits

## ANNEX B

# LIST OF DELIVERABLES

RIC AND DEPARTMENT OF INVESTMENT DELIVERABLES	Al Hoceima	Guelmim	Marrakech	Agadir	Safi	Casablanca	Settat	Laâyoune	Beni Mellal	Dakhla	Oujda	Fès	Tanger	Meknès	Kenitra	Rabat	Department of Investment	PROCEDURES	PRODUCT	PROMOTION
Investment procedures manual	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
Software application for management of investment projects / business creation	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
Observational study tours	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
Modified business creation forms	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
Regional Web sites	X	X			X			X	X	X	X			X						
Regional strategies for investment development			X			X	X													
SWOT analysis of business process outsourcing and automotive components						X	X													
Performance indicators for the RICs and their Ministry	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
FDI training for regional decision-makers			X	X	X	X	X	X	X	X	X	X	X	X	X	X				
Training on regional strategy development	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
Training on investor targeting / use of Loco Monitor database			X			X	X										X			
Training in communications		X	X	X	X			X		X	X			X	X	X	X			
RIC Web sites	X	X			X			X	X	X	X			X						
Training for RIC executives on investment and regional development		X	X	X	X	X	X	X		X	X	X	X	X	X	X	X			
National portal for investment promotion																	X			
Organizational review of the Department of Investment																	X			





## ANNEX C

# LIST OF REPORTS

### PROJECT REPORTS 2003

Preliminary Year 1 Work Plan (December 2003)  
Quarterly Report (December 2003)

### PROJECT REPORTS 2004

RIC Visits Report (February 2004)  
Year 1 Work Plan (April 2004)  
First Quarter Report (April 2004)  
Report on Observational Study Tour in Georgia and South Carolina (May 2004)  
Department of Investment Organizational Review (May 2004)  
Department of Investment Organizational Principles (May 2004)  
Second Quarter Report (July 2004)  
Year 2 Work Plan (September 2004)  
Third Quarter Report (October 2004)  
Report on Observational Study Tour in Virginia and Washington, D.C. (November 2004)  
Fourth Quarter Report (December 2004)

### PROJECT REPORTS 2005

Annual Report (January 2005)  
First Quarter Report (April 2005)  
Second Quarter Report (July 2005)  
Third Quarter Report (October 2005)  
Final Performance Indicator Report (October 2005)  
Fourth Quarter Report (December 2005)  
Annual Report (December 2005)  
Final Report (December 2005)

### CONSULTANT REPORTS

Daif Abdennasser, First RIC Director Meeting Report (July 2004)  
Tarik Fdil, Evaluation of Information Systems (July 2004)  
Faouzi Mourji, First Performance Indicator Report (February 2005)  
Daif Abdennasser, Second RIC Director Meeting Report (March 2005)  
Albert Suissa, Automotive Component Sector Study (November 2005)  
Sami Baghdadi, BPO Sector Study (November 2005)





**USAID | MOROCCO**  
FROM THE AMERICAN PEOPLE

# SUCCESS STORY

## Mobilization for Investment

### **USAID helps local decision makers work together to attract investment**



[Insert Photo Credit]

*Locally elected officials, enterprises, professional association members, regional administrations, and universities learn about FDI and investment promotion.*

*Through the USAID Morocco Investment program, RIC employees and regional partners better understand investors' needs and know how to attract them.*

The Region of Chaouia-Ouadigha, like other regions of Morocco, wanted to attract foreign investment to create jobs and reduce high unemployment rates, especially among its youth. Regional decision makers naturally turned to their Regional Investment Centres (RICs), new public organizations created to promote investment, but without any experience in the matter.

At the end of 2003, USAID launched its program to strengthen the RICs. Some regions such as Chaouia-Ouadigha benefited from the support of the program to develop a regional strategy to attract foreign investment. Using a participatory approach, working groups were created to collect information on the region, interview enterprises, and conduct SWOT analyses of the economy's most promising sectors for investment. This initiative was a true public-private partnership, bringing together locally elected officials, business leaders, professional association members, regional government administrations and local universities. In less than five months, those volunteers contributed over 1,500 person/days to the development of their strategies.

Once the regional strategy was completed, they immediately moved into action. Over 1,000 hectares of prime land for investment was identified. A study was launched to assess how the region could acquire the land and equip it with infrastructure to meet investors' needs. In order to address any shortage of specialized skills, the local training institute (OFPPT) decided to offer new industrial training. Between 2005 and 2009, its carrying capacity will more than double, and a new school for training engineers will open in Khouribga. Problems identified in the survey of enterprises were solved by the provision of better security and sanitary drainage services to existing industrial zones.

According to Mohamed Ali Adhni, Wali of Chaouia Ouadigha, without the technical assistance of USAID it would not have been possible for regional decision makers and RIC employees to understand investors' needs and work together in a concerted and focused way.





# USAID | MOROCCO

## SUCCESS STORY

# Administrations meet the challenge

### Administrations collaborate with USAID to ease investment

Public administrations take the initiative to work together to simplify administrative procedures for investment

*By asking Morocco's national administrations to validate the Manual of procedures it developed, USAID created a unique dynamic of cooperation across administrations.*

*According to Minister of Economic and General Affairs Rachid Talbi Alami, the service the national Committee on Procedures is providing to investors and Morocco is invaluable.*

[Insert Photo Credit]

As part of a bold initiative to promote regionalization and administrative decentralization, Morocco created 16 Regional Investment Centers (RICs) in 2002. The centers serve as “One-Stop-Shops” for investors. Among other tasks, RICs are expected to promote their region and facilitate investors’ access to state-owned land. This mammoth undertaking requires multiple administrations within each region and across the country to work together efficiently. The ultimate goal is to ensure that all investors and citizens are provided with streamlined, consistent, and transparent services regardless of where they live or invest.

At the end of 2003, USAID launched a national program of assistance to facilitate investment promotion. One of the program’s components consisted of drafting a comprehensive manual of administrative procedures for registering a new business. The manual clearly lists all the forms to be completed, the documents to be provided, and the fees associated with investment. It also documents the procedural steps each administration must follow and the maximum delay allowed for processing an investor’s application.

To ensure full collaboration with the RICs in implementing the procedures codified in the manual, USAID helped form a national Committee on Procedures, bringing together representatives from all the national administrations responsible for investment. Committee members were responsible for reviewing and officially validating the manual of procedures, and forwarding it on to their regional administrations. Work began in the early fall of 2005 and 10 weeks later all the procedures were validated.

Frustrated by the procedural redundancy, documents, and delays facing investors in Morocco, the Committee has since decided to extend its mandate. On their own initiative, and without any donor assistance, all 15 national administrations involved in investment facilitation will continue collaborating in 2006 after the USAID program has ended to further simplify the investment process.